

Message Text

LIMITED OFFICIAL USE

PAGE 01 TUNIS 01582 01 OF 02 031536Z
ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-07 CEA-01 PA-01 EA-10 AGRE-00 HA-05 DOE-11
SOE-02 /125 W
-----104600 031713Z /45

R 031116Z MAR 78
FM AMEMBASSY TUNIS
TO SECSTATE WASHDC 202
INFO AMEMBASSY ALGIERS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY RABAT
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY TRIPOLI

LIMITED OFFICIAL USE SECTION 1 OF 2 TUNIS 1582

USEEC

USOECN ALSO FOR EMBASSY

DEPT PASS OPIC AID EXIMBANK AND TREASURY

E.O.11652: NA
TAGS: EGEN TS
SUBJ: TUNISIAN ECONOMIC OUTLOOK ONE MONTH AFTER THE RIOTS:
LITTLE IMPACT--AS YET

REF: TUNIS 1109, TUNIS 1341
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 TUNIS 01582 01 OF 02 031536Z

1. SUMMARY: THE EVENTS OF JANUARY 26--TUNISIA'S
"BLACK THURSDAY"--HAVE TO DATE HAD LITTLE ECONOMIC
IMPACT ON THE COUNTRY BEYOND THE SUPERFICIAL--NOTA-
BLY THE VICTIMS OF THE ENTERTAINMENT AND CATER-
ING INDUSTRIES.EVEN THESE HAVE PASSED WITH THE

EASING OF THE CURFEW. WHILE SOME LOCAL BUSINESSMEN HAVE SHOWN RETICENCE AS REFLECTED IN STOCK LEVELS AND ORDERS FOR NEW EQUIPMENT, INDUSTRIAL ACTIVITY HAS LONG SINCE RETURNED TO NORMAL. FOREIGN BUSINESS DELEGATIONS ARE AS EVIDENT AS EVER. TOURISM, PERHAPS THE MOST VULNERABLE INDUSTRY, SO FAR LOOKS TO A GOOD YEAR--BUT IT IS TOO EARLY TO TELL WHETHER THIS INDEED WILL BE ACHIEVED. POTENTIAL INVESTORS REVEAL NO SUDDEN SQUEAMISHNESS AND FOREIGN BANKERS SEEK GREATER "EXPOSURE" WHILE OFFERING FAVORABLE INTEREST RATES WHICH PROMISE THEM LITTLE PROFIT. ECONOMICS--SUCH AS WAGE DEMANDS--WERE NOT A PROXIMATE CAUSE OF THE GENERAL STRIKE AND ACCOMPANYING VIOLENCE. HOWEVER, IN THE MONTHS AHEAD, THE PROGRESS OF REAL WAGES (I.E., THE RELATIVE MOVEMENT OF PRICES AND NOMINAL WAGES) WILL BE CRITICAL IN DETERMINING WHETHER THE "SOCIAL COMPACT" REPUDIATED BY THE DEPOSED UGTT LEADERSHIP CAN BE RESTORED AND THE BASIC DEVELOPMENT FRAMEWORK OF THE GOVERNMENT'S FIFTH PLAN PRESERVED. EMPLOYMENT FOR URBAN YOUTH--A STRUCTURAL PROBLEM--CAN BE POLITICALLY CRUCIAL.

END SUMMARY.

2. LOOKING FOR ECONOMIC SYMPTOMS OF DISQUIETUDE, WE HEAR ONLY DISTANT RUMORS OF A BLACK MARKET DEVELOPING IN THE TUNISIAN DINAR. THERE IS NO EVIDENT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 TUNIS 01582 01 OF 02 031536Z

WEAKENING IN THE RESIDENTIAL HOUSING BOOM AND THE INFLATED VALUES OF URBAN PROPERTY. CONSUMER DURABLES STILL SELL WELL. FOREIGN BUSINESS VISITORS INCLUDING PROSPECTIVE INVESTORS CONTINUE TO BE EVIDENT. (AT LEAST ONE (JAPANESE) DELEGATION INSISTED ON COMING AHEAD IN EARLY FEBRUARY DESPITE THE DELICATE SUGGESTION OF THE INVESTMENT PROMOTION AGENCY THAT THEY MIGHT WISH TO POSTPONE.) AS A TUNISIAN OFFICIAL TOLD US, THE PERCEIVED RESTORATION OF "LABOR DISCIPLINE" SEEMED MORE IMPORTANT TO FOREIGN INVESTORS THAN QUESTIONS OF POLITICAL UNCERTAINTY IMPLICITLY RAISED BY "INCIDENTS".

3. WINTER IS THE LOW SEASON FOR TOURISM AND FEW EUROPEAN TOUR GROUPS SEEKING THE RELATIVE WARMTH OF TUNISIA'S BEACHES, AT BARGAIN RATES, HAVE COME AHEAD IN THE USUAL NUMBERS, FEBRUARY OCCUPANCY RATES WERE BETTER THAN LAST YEAR'S.) THOSE INSCRUTABLE ENTREPRENEURS UPON WHOM THE SUCCESS OF THE SUMMER SEASON DEPENDS--THE BIG EUROPEAN TOUR OPERATORS--ARE STILL TO MAKE FINAL COMMITMENTS. SUBJECTIVE FACTORS IN THEIR DECISIONS ARE COMPOUNDED BY THE POTEN-

TIAL THREAT OF A TOURIST BOYCOTT BY EUROPEAN TRADE
UNIONS (TUNIS 1341); KEYED TO JUDICIAL OUTCOMES FOR
DEPOSED UGTT LEADER ACHOUR AND ASSOCIATES.

4. TUNISIA WILL IN MID-1978 BE ENTERING UPON THE
SECOND YEAR OF ITS FIFTH PLAN AFTER SOME DISAPPOINT-
MENTS AND ALARMS IN 1977. OVERALL GROWTH IN GROSS
DOMESTIC PRODUCT AVERAGED ONLY 4.1 PERCENT COMPARED
WITH THE TARGET RATE OF 7.5 PERCENT. LAST YEARS
HALF-FAILED CEREAL CROP NECESSITATED LARGER THAN NOR-
MAL IMPORTS. PRODUCTION OF MEDITERRANEAN AGRICUL-
TURAL PRODUCTS WAS GOOD BUT MARKETS CONTINUED TO
BE DISCOURAGING. ALSO NOT UNEXPECTEDLY, EUROPEAN
OUTLETS FOR ADDITIONAL EMIGRANT WORKERS WERE CLOSED
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 TUNIS 01582 01 OF 02 031536Z

AND THAT FOR THE MOMENT AFFORDED BY LIBYA REMAINED
UNCERTAIN. EXPORTS OF MANUFACTURES UNDER INVESTMENT
INCENTIVE LEGISLATION PROSPERED BUT THE MOST IMPOR-
TANT SECTOR, GARMENTS AND FABRIC, CAME UNDER EURO-
PEAN RESTRICTIONS AT MID-YEAR JUST AS IT GOT INTO
FULL SWING. TOURISM STAGNATED. FOREIGN EXCHANGE
RESERVES RAN LOW BUT TUNISIA'S EXCELLENT CREDIT STAN-
DING, IN THE MIDST OF WORLD LIQUIDITY, FACILITATED
TUNISIA'S FIRST MAJOR COMMERCIAL BORROWINGS ON VERY
FAVORABLE TERMS. THE GOT HAS LOOKED TO 1978 TO
CATCH UP ON ITS AMBITIOUS GROWTH OBJECTIVES. HOW-
EVER, ITS PROJECTED 10 PERCENT GROWTH APPEARS MORE
THAN CAN REASONABLY BE EXPECTED. EVEN THE SIZEABLE
ECONOMIC WINDFALLS OF 1973/74 NEVER RESULTED IN REAL
GROWTH EXCEEDING 9.5 PERCENT PER YEAR.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 TUNIS 01582 02 OF 02 031528Z
ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-07 CEA-01 PA-01 EA-10 AGRE-00 HA-05 DOE-11
SOE-02 /125 W

-----104468 031714Z /45

R 031116Z MAR 78
FM AMEMBASSY TUNIS
TO SECSTATE WASHDC 203
INFO AMEMBASSY ALGIERS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY RABAT
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY TRIPOLI

LIMITED OFFICIAL USE SECTION 2 OF 2 TUNIS 1582

USEEC

USOECN ALSO FOR EMBASSY

DEPT PASS OPIC AID EXIMBANK AND TREASURY

5 APART FROM TOURISM, THERE ARE POLITICALLY RELATED ECONOMIC RISKS ON THE HORIZON. IF THE GOT'S LABOR OR HUMAN RIGHTS POLICIES SHOULD BE PERCEIVED IN A NOW SENSITIZED EUROPE (AND ELSEWHERE IN THE OECD COUNTRIES) AS LESS LIBERAL THAN THEY SHOULD BE, ONE COULD EXPECT TO SEE DECLINING SUPPORT BOTH FOR FOR-
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 TUNIS 01582 02 OF 02 031528Z

EIGN AID AND FOR MARKET ACCESS--FOR WHICH SOCIAL DEMOCRATIC FRIENDS, PARTICULARLY IN WEST GERMANY, HAVE BEEN ESPECIALLY STAUNCH DEFENDERS. A UNION-SPONSORED "INVESTMENT BOYCOTT" IN THE SAME QUARTERS IS NOT INCONCEIVABLE. CREDIT FOR ADDITIONAL SUBSTANTIAL COMMERCIAL BORROWING TO CLOSE THE BALANCE OF PAYMENTS GAP APPEARS TO BE NO PROBLEM FOR THIS YEAR UNLESS SERIOUS DISTURBANCES RECUR.

6. THE ECONOMY IS VULNERABLE TO EXOGENOUS FACTORS, BUT MOST OF THESE ARE NOT POLITICAL. THEY MAINLY RELATE TO WEATHER AND EXPORT MARKETS, I.E. TO TUNISIA'S AGRICULTURAL PRODUCTION AND TO ITS EXPORT-ORIENTED STRATEGY OF INDUSTRIAL GROWTH. OIL EXPORTS WILL CONTINUE IN SLIGHTLY INCREASING VOLUMES AT GOOD PRICES AND GROWING PHOSPHATE AND FERTILIZER EXPORTS WILL BRING MORE OR LESS REMUNERATIVE PROCES DEPENDING ON DECISIONS TAKEN BY THE WORLD'S TWO LARGEST

PRODUCERS. HOWEVER, THE SIZE OF THE CEREALS CROP AGAIN IS UNCERTAIN BECUASE OF WEATHER. FAILURE OF THE EUROPEAN ECONOMIES TO REFLATE AND RECOVER COULD IMPACT ADVERSELY IN EMIGRANT WORKER REMITTANCES AS WELL AS ON TOURISM AND EXPORTS OF LIGHT MANUFACTURES (BOTH LABOR-INTENSIVE ACTIVITIES). IN ANY EVENT, NEW MARKETS AND NEW DIRDCTIONS MUST BE FOUND FOR THE LATTER.

7. THE GOT ESSENTIALLY HAS THE COMMERCIAL AND INDUS-
TRIAL MIDDLE CLASS AND THE FARMERS AT ITS SIDE, THE
FORMER OUT OF PERSONAL INTEREST IF NOT EMOTIONAL
COMMITMENT. WHETHER OR NOT THE GOVERNMENT CAN WIN
BACK THE GENERAL SUPPORT OF THE WORKERS DEPENDS LAR-
GELY ON HOW SUCCESSFULLY IT COPEs WITH INFLATION--
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 TUNIS 01582 02 OF 02 031528Z

NOMINALLY 6 PERCENT LAST YEAR FOR THE (SUBSIDIZED)
WORKER "MARKET BASKET" BUT PERCEIVED TO BE HIGHER--
AND HENCE WITH WAGE DEMANDS TO MAINTAIN AND INCREASE
REAL INCOMES. (AN EARLY TEST WILL BE OHE ANNUAL
NEGOTATIONS EXPECTED FOR NEXT MONTH.) RECURRING AND
POLITICALLY SENSITIVE SHORTAGES IN STAPLE FOODS-- FOR
SEVERAL MONTHS IT HAS BEEN EGGS-- REFLECT A CLASSIC
PROBLEM OF USING PRICE CONTROLS AS A MEANS TO CURB
INFLATION. PRICE INCREASES OR SUBSIDIES WILL RESTORE
SUPPLY--AT A COST TO PUBLIC POLICY.

8. "MIDDLE INCOME" TUNISIA IS IN THE MIDST OF A
REVOLUTION OF RISING EXPECTATIONS, AND CONSENSUS ON
FAIR SHARES IS NO EASIER TO ACHIEVE HERE THAN ELSE-
WHERE. AS THE GOT IS WELL AWARE, JOB CREATION IS
ITS GREATEST SOCIO-ECONOMIC PROBLEM. WITH BENEFITS
OF THE GOT'S POPULATION CONTROL PROGRAM YET TO COME,
MORE JOBS ARE NEEDED--ESPECIALLY FOR THE BULGE OF
ILL-PREPARED YOUNG MEN INFLATING THE RANKS OF THE
WORK FORCE AND THE URBAN LUMPENPROLETARIAT; A DIS-
PROPORTIONATE SHARE OF THE NEW JOBS CREATED BY PRI-
VATE INVESTMENT GO TO YOUNG WOMEN. IN WHAT IS STILL
NOMINALLY A "SOCIALIST" COUNTRY, BOTH THE WORKING
AND SALARIED MIDDLE CLASS RESENT THE SUMPTUOUS LIFE
STYLE -- VILLAS AND LUXERY CARS-- WHICH SEEM TO CHARAC-
TERIZE THE NEW UPPER CLASS OF MERCHANTS, PROFESSION-
ALS, AND HIGH GOVERNMENT OFFICIALS , WHO ARE THOUGHT
TO BEAR LESS THAN THEIR SHARE OF TAXES.

9. THE GOVERNMENT CLINGS WITH DETERMINATION-- AND
REASON--TO ITS WELL-DESIGNED FIFTH PLAN. THE PRO-
JECTED HIGH RATE OF GROWTH--COMBINED WITH A MODERATE
(8.4 PERCENT) INCREASE IN CONSUMPTION -- IS RECIPRO-

CALLY LINKED TO A CONTINUING HIGH (21.6 PERCENT
RATE OF SAVINGS, BOTH PUBLIC AND PRIVATE, AND CON-
TINUED EMPHASIS ON DIRECTLY PRODUCTIVE INVESTMENTS
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 TUNIS 01582 02 OF 02 031528Z

RATHER THAN REDISTRIBUTION. (FOREIGN AID IS OFFI-
CIALLY VIEWED AS THE KEY TO HOW FAR TUNISIA CAN GO
WITH SOCIAL JUSTICE OTHER THAN BASED IN INCREASED
PRODUCTIVITY.) HOWEVER, FOR MANY TUNISIANS IN THE
STREET, TUNISIA'S OVERALL PROGRESS UNDER A SENSIBLE,
FAIR, BUT PATERNALISTIC REGIME MAY NO LONGER BE
ENOUGH--NEITHER TANNER NOR CLARION CALL--TO JUSTIFY
AND MOTIVATE CONTINUED SACRIFICE OF IMMEDIATE AND
PRIVATE SATISFACTIONS. MULCAHY

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, POLITICAL SITUATION
Control Number: n/a
Copy: SINGLE
Draft Date: 03 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TUNIS01582
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780098-0018
Format: TEL
From: TUNIS USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197803107/aaaadmx.f.tel
Line Count: 296
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 63547bb8-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 TUNIS 1109, 78 TUNIS 1341
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3118542
Secure: OPEN
Status: NATIVE
Subject: TUNISIAN ECONOMIC OUTLOOK ONE MONTH AFTER THE RIOTS: LITTLE IMPACT--AS YET
TAGS: EGEN, TS
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/63547bb8-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014